



Monthly Economic Update

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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** According to revised data from the U.S. Department of Commerce, the overall economy grew a revised 3.8 percent for the fourth quarter of 2004 and 4.4 percent for the entire year. The expansion was attributed primarily to the business sector with increases in inventory investment and business investment. However, consumer spending slowed after a strong increase in purchases of big-ticket items during the third quarter, and the trade deficit increased.

Specific national indicators for January experienced mixed results compared to December 2004. For example, the index of leading indicators decreased 0.3 percent, consumer prices as measured by the Consumer Price Index were up 3.0 percent, the average over the past nine months, and industrial production remained unchanged in January compared to December. However, business investment as measured by new orders for nondefense capital goods excluding aircraft grew 2.9 percent, and the economy added nearly 150,000 jobs in January. With interest rates on 30-year fixed-rate mortgages remaining below 6 percent, the housing market remained very active in January. Housing starts reached a 21-year high and sales were up 13.7 percent over last January.

For the Washington metropolitan region, the economy continued to expand during the fourth quarter of 2004. Since September, the Washington MSA Coincident Index increased a solid 3.5 percent, compared to 1.6 percent at the national level, and the region's economy added an additional 30,000 jobs during the final quarter of 2004 and 79,000 for the entire year.

➤ **Real Estate.** With mortgage rates on 30-year fixed rates at historic lows, the housing market in the County remained robust in January. Home sales increased 3.8 percent in January compared to January 2004 and followed a 7.4 percent increase for the entire 2004. Selling prices continued their dramatic increase with an average price of \$458,000 (↑15.0% over January 2004)

and a median price of \$370,000 (↑15.6% over January 2004).

➤ **Construction.** The number of residential construction starts increased 26.4 percent during the month compared to January 2004. However, with an annual rate of nearly 4,000 housing starts in January, that rate remains well below the 5,000 needed to accommodate the projected new households in the County during 2005. Moreover, the lack of available buildable land in the County suggests that January was an outlier and not a reversal of the two-year decline in residential construction. As such, demand will exceed supply and prices will continue to rise.

After a strong performance in 2004, non-residential construction continued to improve in January. While the number of projects was much lower compared to January 2004, the value of new non-residential construction increased dramatically with \$85.4 million (↑90.8%) of additional property added to the County's commercial base.

➤ **Inflation.** After months in which inflation remained subdued both at the national and regional levels, the region's overall consumer prices increased 3.6 percent in January, and excluding food and energy prices, the region's inflation rate was 3.3 percent. That rate represented the largest increase since May 2002. Rising home prices contributed to the increase in "core" inflation.

➤ **Retail Sales.** Retail sales, as measured by sales tax receipts, increased 8.1 percent in December compared to December 2003. For 2004, retail sales were up 6.7 percent, the largest increase in nine years. The dramatic growth in sales was attributed to sales of durable goods, an increase of 9.7 percent compared to 7.6 percent in 2003. Purchases of building and industrial supplies and hardware, machinery, and equipment led the increase.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2003
				2004	2003	
Leading Indicators						
National	Jan	-0.3%		1.4%		3.0%
Washington MSA	Dec	1.1%		1.8%		2.3%
Coincident Indicators						
National	Jan	0.0%		3.4%		1.6%
Washington MSA	Dec	1.8%		7.6%		1.4%
Consumer Confidence Index						
National	Feb	-1.0%		8.3%		17.5%
South Atlantic Region	Feb	5.9%		11.4%		16.5%
Consumer Sentiment (University of Michigan)	Jan	-1.6%		4.9%		6.8%
Consumer Price Index						
All Items (nsa)						
National	Jan	3.0%		2.7%		2.3%
Washington - Baltimore CMSA	Jan	3.6%		2.8%		2.8%
Core CPI (nsa)						
National	Jan	2.3%		1.7%		1.5%
Washington - Baltimore CMSA	Jan	3.3%		1.8%		2.4%
Retail Trade						
National (sales - nsa)	Dec(p)	9.3%		8.0%		5.4%
Washington MSA (sales - nsa)	Dec	8.0%		7.8%		6.5%
Maryland (sales tax)	Dec	10.3%		9.1%		3.5%
Montgomery County (sales tax)	Dec	8.1%		6.7%		4.0%
Employment						
National (labor force data - nsa)	Jan	138,682,000	136,924,000	139,252,000	137,736,000	137,736,000
- Percent Change		1.3%		1.1%		0.9%
Washington PMSA (labor force data - nsa)	Dec	2,830,140	2,749,021	2,824,021	2,747,804	2,747,804
- Percent Change		3.0%		2.8%		1.6%
Montgomery County (labor force data)	Dec	505,051	490,777	503,697	492,219	492,219
- Percent Change		2.9%		2.3%		1.1%
Montgomery County (payroll)	June'04(p)	454,647	451,753	444,609	442,853	442,853
- Percent Change		0.6%		0.4%		0.5%
Unemployment						
National (nsa)	Jan	5.7%	6.3%	5.5%	6.0%	6.0%
Maryland (nsa)	Dec	3.7%	4.3%	4.0%	4.5%	4.5%
Washington PMSA	Dec	2.9%	3.1%	3.2%	3.5%	3.5%
Montgomery County	Dec	2.0%	2.4%	2.3%	2.6%	2.6%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Jan	\$185,466	\$118,353	\$1,259,919	\$1,134,582	\$1,134,582
- Percent Change		56.7%		11.0%		-31.6%
Residential (\$ thousand)	Jan	\$100,055	\$73,581	\$677,705	\$676,613	\$676,613
- Percent Change		36.0%		0.2%		-15.7%
Non-Residential (\$ thousand)	Jan	\$85,411	\$44,772	\$582,214	\$457,969	\$457,969
- Percent Change		90.8%		27.1%		-46.5%
Building Permits (Residential)						
National	Jan	138,159	126,452	2,024,211	1,862,365	1,862,365
- Percent Change		9.3%		8.7%		6.6%
Maryland	Jan	1,549	1,845	28,384	30,125	30,125
- Percent Change		-16.0%		-5.8%		2.8%
Montgomery County	Jan	114	344	3,798	4,590	4,590
- Percent Change		-66.9%		-17.3%		-8.4%
Building Permits (Non-Residential)						
Montgomery County	Jan	151	135	1,966	1,798	1,798
- Percent Change		11.9%		9.3%		-3.2%
Real Estate						
National (saar)						
Sales	Jan	6,800,000	5,980,000	6,784,000	6,183,000	6,183,000
- Percent Change		13.7%		9.7%		9.6%
Median Price	Jan	\$189,000	\$171,000	\$185,200	\$169,500	\$169,500
- Percent Change		10.5%		9.3%		7.5%
Montgomery County						
Sales	Jan	988	952	17,771	16,534	16,534
- Percent Change		3.8%		7.5%		2.9%
Average Price	Jan	\$458,449	\$398,649	\$429,454	\$362,997	\$362,997
- Percent Change		15.0%		18.3%		13.2%
Median Price	Jan	\$369,925	\$319,950	\$369,900	\$295,500	\$295,500
- Percent Change		15.6%		25.2%		15.5%
Average Days on the Market	Jan	37	37	27	27	27

(p) = Preliminary

*Data under 2004 and 2003 pertain to 2003 and 2002 respectively